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Review of the efficiency of the administrative and financial functioning of the United Nations

Activities of the Independent Audit Advisory Committee for the period from 1 January to 31 July 2008

Report of the Independent Audit Advisory Committee

Summary

By its decision 62/413, the General Assembly appointed the following members of the Independent Audit Advisory Committee with effect from January 2008: Vadim Vadimovich Dubinkin (Russian Federation), Vijayendra Nath Kaul (India), John F. S. Muwanga (Uganda), Adrian Patrick Strachan (Jamaica) and David M. Walker (United States of America).

The first session of the Committee, which was held in February 2008, was devoted to organizational matters, including the election of the Chairperson and Vice-Chairperson and the adoption of its rules of procedure. At its second and third sessions, the Committee was fully engaged with its responsibilities in line with its terms of reference. The main activity in the second session was the consideration of the budget for the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009 (see A/62/814 and Add.1).

The Independent Audit Advisory Committee found the OIOS proposal for a hub and spoke structure for its Investigations Division to have strong conceptual merit, but suggested that it should be implemented in a phased manner to ensure that the transfer of investigators out of the peacekeeping missions to regional hubs will not leave any operational gaps.

* A/63/150 and Corr.1.

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Because of the timing of the sessions, there was no discussion of the Committee's report by the Advisory Committee on Administrative and Budgetary Questions or the Fifth Committee. However, since the recommendations are still relevant for OIOS operations, the Independent Audit Advisory Committee believes that they should remain open for consideration by those two bodies.

Other recommendations for improvements made by the Independent Audit Advisory Committee relate to the OIOS work-planning process to improve the effectiveness of cooperation between OIOS and the other oversight bodies, namely, the Joint Inspection Unit and the Board of Auditors.

The Committee comments on the report of the Secretary-General on the accountability framework, the enterprise risk management and internal control framework and the results-based management framework in the present report. Overall, the Committee supports the implementation of an enterprise risk management and internal control framework. The Committee went further to recommend the establishment of a Chief Risk Officer position reporting to the Secretary-General or Deputy Secretary-General to provide advice and support to senior managers and coordinate risk management strategies at the enterprise level. The Committee suggested that the implementation project should be structured in stages and that the proposed pilot project should be planned as the first phase of a multiphase project.

The Committee has highlighted two issues of significance in the report of the Board of Auditors on the United Nations financial statements, namely, the implications of recognizing end-of-service liabilities on the face of the financial statements and the lack of controls relating to non-expendable property. The Committee also draws attention to the challenges and considerations that need to be taken into account in the implementation of the International Public Sector Accounting Standards.

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I. Introduction

1. The General Assembly, in its resolution 61/275 (annex), requested the Independent Audit Advisory Committee to submit an annual report, which should include a summary of its activities and related advice. Since the Committee has been operational only since 1 January 2008, the members agreed that the first report submitted pursuant to that request would cover the period 1 January to 31 July 2008 in order to provide a report for the consideration of the Assembly at its sixty-third session.

A. Establishment of the Independent Audit Advisory Committee

2. The Independent Audit Advisory Committee was established as a subsidiary body of the General Assembly by its resolution 60/248 to serve in an expert advisory capacity and to assist the Assembly in fulfilling its oversight responsibilities.

3. The members of the Committee were appointed by the General Assembly with due regard for equitable geographic representation, and are independent of their Governments, the Board of Auditors, the Joint Inspection Unit and the Secretariat. They comprise an exceptional group of senior-level experts in the field of financial, audit and/or other oversight-related expertise. The Committee is responsible for advising the Assembly on the scope, results and effectiveness of audit as well as other oversight functions and on measures to ensure management's compliance with audit and other oversight recommendations. The members of the Committee, all of whom were appointed to serve for a three- or four-year term of office, all beginning on 1 January 2008, are: Vadim Vadimovich Dubinkin (Russian Federation), Vijayendra Nath Kaul (India), John F. S. Muwanga (Uganda), Adrian Patrick Strachan (Jamaica) and David M. Walker (United States of America).

4. During its first session, in February 2008, the members elected Mr. Walker and Mr. Kaul as Chairperson and Vice-Chairperson, respectively, for a one-year renewable term starting in 2008. In this same session the Committee initiated the recruitment process, which resulted in the appointment of Uren Pillay as the Executive Secretary of the Committee with effect from 1 June 2008.

B. Terms of reference

5. The terms of reference of the Independent Audit Advisory Committee were adopted by the General Assembly on 29 June 2007 and are included as an annex to its resolution 61/275. The Committee has agreed that in undertaking its functions, it would work strictly within the terms of reference. The terms of reference, which were adopted after extensive deliberations by Member States, will guide the scope and extent of the work of the Committee. The Committee will use its independent professional judgement in determining its priorities and in providing advice to the Assembly.

C. Rules of procedure

6. In paragraph 4 of the terms of reference, the General Assembly indicated that the Independent Audit Advisory Committee may adopt its own rules of procedure, which shall be communicated to the Assembly.

7. At its first session the Committee adopted rules of procedure (see annex) to govern its operations. Those rules supplement the terms of reference and shall be read in a manner consistent with them.

8. The Committee agreed that it may review and amend the rules of procedure from time to time, provided that they remain consistent with the terms of reference.

9. The Committee invites the General Assembly to take note of the rules of procedure.

II. Activities of the Independent Audit Advisory Committee

A. Sessions of the Committee

10. According to paragraph 4 of the terms of reference, the Independent Audit Advisory Committee shall meet up to four times a year, in coordination with the relevant activities of the United Nations and the General Assembly and in accordance with the Assembly's resolutions on the pattern of conferences.

11. From its establishment on 1 January 2008 to the date of submission of the present report, the Committee had held three sessions: from 20 to 22 February, from 29 April to 1 May and from 16 to 18 July. All of the sessions were held at United Nations Headquarters.

12. During those sessions, in addition to adopting its rules of procedure, the Committee established its initial priorities. In addition to the present annual report, the Committee provided comments to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget for the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009 (A/62/814 and Add.1). The Committee has also begun developing a three-year plan for its work, which it will finalize at its fourth session, to be held in December 2008.

13. The Committee met with a wide range of key stakeholders, including representatives of Member States, the Chairpersons of the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions, the Secretary-General, the Deputy Secretary-General, various Under-Secretaries-General and senior officials of the United Nations and various other parties.

14. As an advisory committee, the Independent Audit Advisory Committee is cognizant of the fact that its recommendations are to be submitted to the General Assembly for consideration. However, during the course of its work in the three sessions held to date, the Committee found itself in a position whereby advice and suggestions were provided directly to management. While this was well-received by management, the Committee appreciates that there is no obligation to act on that advice. Nevertheless, the Committee decided that any significant advice or suggestions provided to management would henceforth be disclosed to the

Assembly for informational purposes. Where appropriate, management will be invited to keep the Committee informed of any related actions.

B. Overview of future plans

15. In preparing a three-year workplan, the Committee mapped its responsibilities, as set out in its terms of reference, to the likely programme of work of the Advisory Committee on Administrative and Budgetary Questions and the General Assembly (based on previous sessions). The Committee intends to schedule its sessions and activities in such a manner as to ensure that interaction with intergovernmental bodies is coordinated and that its reports are available in a timely manner. In a preliminary review of the workplan, the Committee has identified several key areas which will be the main focus for each of its four annual sessions. The table below provides an indication of the areas of planned focus for each session.

Session	*Focus area*	*Timing of consideration of report by intergovernmental bodies*
February	OIOS proposed budgets: • Peacekeeping support account • Regular budget	Peacekeeping Support account • Advisory Committee on Administrative and Budgetary Questions, winter session • General Assembly, second part of resumed session Regular budget • Advisory Committee on Administrative and Budgetary Questions, spring session • General Assembly, main session
May	Status of implementation of recommendations of oversight bodies Management of risks and internal controls	General Assembly, main session
July	Operational implications of issues and trends in the financial statements Cooperation among United Nations oversight bodies Preparation of annual report	
December	Risk assessment results Examination of OIOS workplans for the next year	

16. One of the responsibilities of the Committee as articulated in its terms of reference is to advise the General Assembly on the effectiveness, efficiency and impact of OIOS oversight functions. The Committee's approach to this will involve

soliciting inputs from multiple sources, including the subjects of OIOS oversight activities. To that end, the Committee has decided to use a confidential survey questionnaire that will be administered by the Committee's secretariat. The questionnaire will serve to gather information from staff and management on the professionalism of OIOS and its approach to oversight engagements; issues of process such as conduct and quality of entry and exit conferences, how issues of concern are dealt with, due process considerations and how any disagreements are resolved.

17. The Committee also finds it opportune to highlight that in its resolution 59/272, the General Assembly decided to evaluate and review at its sixty-fourth session the functions and reporting procedures of the Office of Internal Oversight Services. **It is timely, therefore, for the Assembly to consider the role it would like the Committee to play in this mandated review.**

18. In the discussion on planning for the future, the Committee identified the following events that are scheduled to take place in 2010 and that will have an impact on its work activities:

(a) Review of the terms of reference of the Committee at the sixty-fifth session of the General Assembly, as mandated in resolution 61/275;

(b) The end of the term of the three members whose three-year appointment expires in December 2010;

(c) The end of the five-year term of the Under-Secretary-General for Internal Oversight Services in July 2010.

19. As regards the General Assembly review of the terms of reference, the Committee may make proposals for changes in its current terms of reference on the basis of its operational experience over the preceding three years.

20. The Under-Secretary-General for Internal Oversight Services is a key position in the United Nations governance and oversight mechanism, and it is critical for the Organization that he or she possess the appropriate technical qualifications. **The Committee stands ready to provide any assistance the General Assembly may require in the appointment of an Under-Secretary-General for Internal Oversight Services.**

21. Focusing on the operations of the Committee itself, the secretariat has commenced development of a dedicated website that will serve as a medium for sharing information with the United Nations staff and management and with the general public on the role and function of the Committee in the United Nations. The website will be presented to the members of the Committee for their approval at the fourth session, to be held in December. Once approved, the website will be launched, initially in English, with subsequent updates as each of the remaining five languages is completed.

III. Detailed comments

A. Coordination and cooperation among United Nations oversight bodies

22. Cooperation and coordination among the oversight bodies was discussed with three United Nations oversight bodies: the Joint Inspection Unit, the Board of Auditors and OIOS.

23. The oversight bodies meet regularly (the Joint Inspection Unit, the Board of Auditors and OIOS hold annual tripartite coordination meetings, and OIOS and the Board of Auditors meet bimonthly). Discussion of their workplans is a standard item on the agenda at those meetings. All three oversight bodies agreed that cooperation among them was good, especially with respect to the sharing of reports and assignment-related information, as well as the sharing of training materials and technology. The Committee, however, recognized that the coordination of OIOS with the Joint Inspection Unit and the Board of Auditors at the planning stage could be improved to minimize duplication. Currently, OIOS workplans are finalized without the involvement of either of the two bodies. The final workplans are then shared with the oversight bodies, and any duplication of work that is identified is resolved quarterly. **The Independent Audit Advisory Committee recommends that OIOS meet with the Joint Inspection Unit and the Board of Auditors in an annual joint planning session before finalizing the OIOS workplans in order to ensure that the workplans of the Joint Inspection Unit and the Board of Auditors are taken into account.**

24. **The Committee also recommends that OIOS discuss annual plans for conducting joint or coordinated assignments with the Joint Inspection Unit.**

B. Status of recommendations of United Nations oversight bodies

25. The Independent Audit Advisory Committee followed up with management on efforts to implement the recommendations of the United Nations oversight bodies. The Department of Management reported to the Committee on the mechanisms that are in place to monitor the implementation of recommendations and to ensure that programme managers take responsibility for and are accountable for action in that regard.

26. The implementation of oversight recommendations is a performance indicator in the compact between the Secretary-General and his senior managers. The Management Performance Board reviews the performance of senior managers through the compact.

27. The Management Committee, under the chairmanship of the Deputy Secretary-General, monitors the implementation of: (a) recommendations that OIOS deems to be of the greatest concern; (b) the main recommendations of the Board of Auditors that have been outstanding for more than two years; and (c) all critical recommendations of OIOS that are more than three years old that have not yet been fully implemented.

28. The Committee has taken note of management's efforts to establish a monitoring and accountability mechanism and will continue to follow up with

management to observe the effectiveness of the mechanisms and the action that is taken in cases where the programme manager's performance targets have not been met.

29. The Committee agrees with the Department of Management that the implementation of a risk management framework and the establishment of risk tolerance levels will assist managers in prioritizing the implementation of recommendations.

C. Workplans and budget for the Office of Internal Oversight Services for 2008

30. The responsibilities of the Independent Audit Advisory Committee with respect to internal oversight are contained in paragraphs 2 (c) to (e) of the terms of reference.

31. Paragraph 2 (d) calls for the Committee to review the OIOS budget proposals taking into account its workplan and to make recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions.

32. The Committee set out its observations and recommendations with regard to the OIOS budget in its report on the budget for the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009 (A/62/814 and Add.1).

33. In the above-mentioned reports, the Committee took note of the OIOS proposal for the restructuring of its Investigations Division and reported that while the hub concept had strong conceptual merit, it believed that more information should have been provided by OIOS on the cost implications of the proposed restructuring. OIOS should have included a cost-benefit analysis showing all relevant costs relating to the current resident investigator approach as compared with the regional hub approach. The OIOS proposal should also include implications for the provision of investigative services to peacekeeping missions in the short and long terms. In this regard, the Committee recommended that some resources be provided in the budget to meet short-term needs of the missions.

34. The Committee therefore recommended that OIOS consider a phased approach to the transfer and/or conversion of posts proposed for 2008/09. The recommendation also called for OIOS to pay close attention to defining the types of skills and experience needed for effective investigators. In considering appointments that may arise as a result of the restructuring, OIOS should take into account the eligibility of current staff members to apply and be considered for the new positions. The process to be employed should be well considered and effectively implemented in order to ensure fairness and equity for all existing United Nations personnel and prospective applicants.

35. The timing of the Advisory Committee on Administrative and Budgetary Questions and the Independent Audit Advisory Committee sessions did not provide an opportunity for engagement and full consideration of the report on the proposed budget for OIOS under the support account for peacekeeping operations for 2008/09. In its report (A/62/855, para. 151), the Advisory Committee on Administrative and Budgetary Questions acknowledged the need for better coordination of both Committees' schedules in order to ensure that the Independent

Audit Advisory Committee's reports are given full consideration. The Chairperson of the Independent Audit Advisory Committee has subsequently met with the Chairperson of the Advisory Committee on Administrative and Budgetary Questions to help ensure that future interactions are coordinated, particularly with regard to the OIOS budget.

36. The Committee therefore believes that the related observations and recommendations contained in its reports (A/62/814 and Add.1) are still relevant for consideration by the General Assembly.

37. In accordance with paragraph 2 (c) of the terms of reference, the Committee should examine the workplans of OIOS and take into account the workplans of the other oversight entities with a view to advising the General Assembly thereon.

38. OIOS briefed the Committee on its workplans and the work-planning process. The Committee also discussed OIOS coordination and cooperation with the Joint Inspection Unit and the Board of Auditors.

39. The Committee noted that there is regular interaction between the oversight bodies with respect to the sharing of workplans. However, the Committee's concern is that no evidence was provided to show that the plans of the Joint Inspection Unit and the Board of Auditors were taken into account in formulating the OIOS workplans. **The Committee recommends that for its future workplans, OIOS continue to coordinate its work with the Joint Inspection Unit and the Board of Auditors to avoid overlap and duplication at the formulation stage of the workplan and show evidence of this in its planning documentation.**

40. The Committee also noted that the OIOS Investigations Division did not prepare a workplan for 2008. **While recognizing that some divisions of OIOS may have more control over their work than others, the Committee recommended that all divisions of OIOS, including the Investigations Division, prepare annual workplans, since they should be used as the basis for requesting resources.**

41. In accordance with the terms of reference, the Committee's review of the OIOS budget proposals need to take in account the OIOS workplans as a basis for the resources requested. **The Committee noted that the OIOS budget for the support account for peacekeeping operations for 2008/09 was prepared before the workplans for 2008 were finalized and recommended that in future the workplans be finalized prior to the preparation of the budget.**

42. **Nevertheless, the Committee recognized the extensive work undertaken by OIOS to develop its workplan using a risk-based approach and suggested that OIOS consider highlighting risks in a high-risk list to give visibility to programmes. OIOS should publish the high-risk list and issue an updated list at least every two years. Information on the related challenges and the progress made by departments and offices should also be noted.**

43. The role of the biennial programme plan for OIOS in setting the strategic direction for the Office was also noted. Therefore, in its future review of the OIOS budget proposals the Committee will also examine the approved OIOS biennial programme plan to ensure alignment of the strategic plans and workplans with the proposed budgets.

D. Risk management and internal control framework

44. Paragraphs 2 (f) and (g) of the terms of reference specifically mandate that the Independent Audit Advisory Committee advise the Assembly on the quality and overall effectiveness of risk management procedures and advise the Assembly on deficiencies in the internal control framework of the United Nations.

45. The report of the Secretary-General on the Secretariat's accountability framework, enterprise risk management and internal control framework, and results-based management framework (A/62/701 and Corr.1 and Add.1) is the most recent development in the Organization in the areas of risk management and the internal control framework. The report was submitted pursuant to General Assembly resolution 61/245, in which the Secretary-General was requested to submit reports on:

(a) The enterprise risk management and internal control framework;

(b) The results-based management framework;

(c) The accountability framework.

46. During deliberations on this subject, the Committee met with representatives of the Department of Management and other related parties.

47. In accordance with its terms of reference, the Committee decided that its comments to the General Assembly on the Secretariat's proposed comprehensive accountability architecture (see A/62/701 and Corr.1 and Add.1) would focus on the enterprise risk management and internal control framework. The Committee's related comments are set out below.

48. Risk management and internal controls are fundamental elements of best practice in the governance of organizations. **The Committee supports the implementation of an enterprise risk management and internal control framework as a step in the right direction.**

49. In deliberating on the Organization's approach to the implementation of an enterprise risk management and internal control framework, the Committee believes that consideration should be given to the fact that such implementation would mean a change in the organizational culture and more than simply an implementation of technical concepts. The Organization should therefore take into consideration basic change management principles. The success and speed of implementation is dependent on clear unwavering support from management at the highest level in the Organization, as well as clear, simple and sufficient communication to United Nations staff on what the concepts mean, what is required of staff members and what benefits this change can bring to their work and how it will foster the achievement of results.

50. The United Nations, possibly more than any other organization in the world, operates in some of the most inherently high-risk areas. However, given its mandates, the Secretariat's successful delivery of results depends on proper management and execution of programmes with limited resources. Effective management must therefore take into consideration those events (risks) that may have an impact on a programme's ability to deliver. This, in the simplest terms, is risk management.

51. The advantages of implementing enterprise risk management (including an internal control framework) are that it:

(a) Clarifies senior management's ultimate responsibility and accountability for risk management and for ensuring that internal controls are adequate. This drives management to be proactive rather than complacent or non-reactive to risks. At the same time, all United Nations personnel have a role to play in helping to implement an effective risk management approach as well as other forms of internal control;

(b) Standardizes risk management principles and definitions and provides an integrated view of risk across the Organization;

(c) Provides assurance to the General Assembly that the risks facing the Organization are identified and being managed;

(d) Improves the Organization's ability to prevent, detect and mitigate risks;

(e) Provides a better basis for managing limited funding and allocating resources to priority areas;

(f) Minimizes duplication of effort and the cost of managing risks by sharing risk information and risk management strategies among departments and offices in the Secretariat.

52. The Organization should make the definition of risk and the related concepts an opportunity for education, communication and raising awareness. Failure to adequately demonstrate how enterprise risk management and an internal control framework can add value to the Organization can be an obstacle to fully integrating the framework within the Organization. **The Committee believes that there is a need for an executive-level document that describes in clear terms for senior management what the benefits are to adopting enterprise risk management and an internal control framework. The Committee also recommends that the Organization's implementation plan include a structured training programme and a communication strategy targeting all staff.**

53. The Committee agrees with the Secretary-General's comments on the role of OIOS in this context (A/62/701, para. 53). The Committee considers, however, that for reasons of independence, OIOS should have the ability to conduct its own risk assessment for purposes of work planning, which should be done giving full consideration to management's assessment. In those cases where OIOS decides not to rely on management's risk assessment, then OIOS should advise management on the reasons for that decision.

54. The implementation of the Secretary-General's full "accountability architecture" needs to reflect the time that it will take to complete and the full cost implications. Such implementation should be managed as organization-wide projects that have dedicated project management resources, timelines, agreed deliverables, defined roles and responsibilities, identified key dependencies, agreed project performance measures and monitoring mechanisms. For the United Nations, the project milestones should be linked to the priorities and speed that are suitable for the Organization. **The Committee recommends that project oversight be assigned to a high-level committee, such as the existing Management Committee, in order to demonstrate senior management's commitment to its implementation.**

55. The Secretary-General's proposal to launch enterprise risk management in a few organizational units as an initial step is a sound approach. **However, the Independent Audit Advisory Committee advises that instead of implementing this as a pilot project, which implies that its feasibility is still being assessed, the Secretary-General should propose implementing enterprise risk management in a few selected organizational units as the first phase of a multi-phase project. In addition, as stated above, the Secretary-General should develop a detailed project plan that provides a reasonable time frame for completing all the phases of the project and that clearly identifies expected outputs, results and the full cost of implementation. A project plan should also include specific steps for monitoring and evaluating how the United Nations is implementing the standard framework for each phase of the project. The phased approach should identify in advance the organizational units that are willing to "champion the cause". These early-adopting organizational units are critical to moving the project forward by demonstrating the positive results that can be achieved, and should therefore be chosen carefully.**

56. The Committee believes that there is a vital need for a risk expert to assist and advise senior management on the technical aspects of enterprise risk management. Organizations typically employ a Chief Risk Officer, whose responsibilities include serving as a coordinator for the distinct risk management activities of departments and offices, acting as a technical resource and adviser, consolidating risk information to advise senior management on the totality of risks and serving as a strategic planner in the development of a comprehensive, integrated risk management plan. The Chief Risk Officer most frequently reports to the highest level in an organization.

57. In this respect, the indication by the Secretary-General that a Chief Risk Officer position is required (A/62/701) is in line with best practice. However, it is not clear from the report whether he indeed proposed to establish that function. **The Committee recommends that the United Nations establish a Chief Risk Officer position, which should report to the Secretary-General or the Deputy Secretary-General.**

58. **In the light of the above recommendation, the Secretary-General's proposal for the establishment of a new Division for Accountability and Results Management should be revisited with respect to its responsibilities for risk management. The Division's responsibilities for risk management as proposed by the Secretary-General would overlap with that of a Chief Risk Officer.**

59. In line with its terms of reference, the Committee will continue its focus on the implementation of enterprise risk management and the internal control framework and to advise the General Assembly accordingly.

E. Issues and trends in the financial statements and in the reports of the Board of Auditors

60. Under paragraph 2 (h) of the terms of reference, the Independent Audit Advisory Committee is required to advise the General Assembly on the operational implications for the United Nations of the issues and trends apparent in the financial statements of the Organization and the reports of the Board of Auditors.

61. As a point of reference for its comments in the present report, the Committee used the concise summary of principal findings and conclusions contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-third session (A/63/169).

62. The Committee decided to comment on two of the items raised in the Board of Auditors report that it believes to be significant: the recognition of end-of-service liabilities in the financial statements and deficiencies in the recording of non-expendable property.

63. There are two distinct aspects of end-of-service liabilities: the accounting treatment and the funding of the related liability.

64. Under General Assembly resolutions 60/255 and 61/264, the United Nations is required to disclose end-of-service and post-retirement liabilities on the face of its financial statements. Excluding peacekeeping operations, this would entail an adjustment of $1.96 billion to the reserves and funds balances, since no specific funding had been allocated by the Assembly.

65. The Organization's total liabilities (excluding peacekeeping operations) increased fourfold since the last biennium, rising from $0.97 billion to $3.88 billion owing to the recording of liabilities of $2.33 billion for after-service health insurance and other end-of-service liabilities.

66. The Secretary-General has presented five options for funding end-of-service liabilities (see A/61/730), namely:

(a) A one-time assessment on Member States to fully fund the total accrued end-of-service liability;

(b) Successive assessments on Member States over a set period of time at the end of which the end-of-service liability would be fully funded;

(c) Application of a charge against salary costs for all budget types to achieve full funding within a specified period of time (12-13 bienniums);

(d) Combination of current funding under the regular budget and partial funding under the budget of the support account for peacekeeping operations for annual costs related to retirees ("pay as you go"), with a charge against salary costs for all budget types;

(e) A combination of a one-time assessment, successive assessments, transfers from reserves and charges against salary costs.

67. With respect to the accounting treatment, the Committee notes that the majority of the entities under the United Nations umbrella are in compliance with the General Assembly resolution as well as with the International Public Sector Accounting Standards (IPSAS) regarding the recording of liabilities. As a result of the disclosure, the International Trade Centre UNCTAD/WTO, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda have reported deficits in their reserves and fund balances. Also, some entities in the United Nations system that fall outside the remit of the Committee have not treated the reporting of end-of-service liabilities consistently.

68. **On the issue of the funding of end-of-service liabilities, the Committee believes that a decision should be taken by the General Assembly before the**

finalization of the next budget to determine whether, how and to what extent the liabilities will be funded in order to smooth out future ongoing assessments on Member States.

69. The deficiencies in United Nations recording of non-expendable property as reported by the Board of Auditors are of concern to the Committee. According to the Board, items could no longer be located or accounted for, there were inconsistencies in the valuation of items, items were not included in the inventory report and there was a lack of physical counts and property records. The Committee views these deficiencies as a serious breakdown in the basic internal controls that are critical for safeguarding the Organization's assets.

70. **The Committee recommends that the General Assembly request the Secretary-General to give priority to addressing the deficiencies pointed out by the Board of Auditors.**

F. Adoption of the International Public Sector Accounting Standards

71. The Independent Audit Advisory Committee addressed the adoption and implementation of IPSAS with representatives from the Department of Management.

72. Since the current information system, the Integrated Management Information System, does not support IPSAS, the implementation of the new enterprise resource planning application becomes a key dependency for the IPSAS project. The Committee agrees with the observation by the Board of Auditors that the delays in the enterprise resource planning project make it unlikely that IPSAS will be implemented by the target date of 2010.

73. In addition to being dependent on the enterprise resource planning project, there are several challenges in the implementation of IPSAS that management is aware of. The Committee highlights the following challenges arising from IPSAS implementation that require the attention of the General Assembly:

(a) Financial statements would have to be prepared and presented at least annually, which has implications for the external auditors;

(b) The Financial Regulations and Rules of the United Nations would have to be updated;

(c) The annual financial statements would have to include a comparison of actual amounts with amounts in the budget, which would use the same basis of accounting as adopted for the budget (i.e. modified accrual basis in the United Nations), even if that basis were different from the basis adopted for the financial statements (which would be the accrual basis after the implementation of IPSAS).

G. Cooperation and access

74. The Independent Audit Advisory Committee is pleased to report that it has received full cooperation from the Joint Inspection Unit, the Board of Auditors, the Office of Internal Oversight Services and senior management in the Secretariat, including the Department of Management. The Committee was also given

appropriate access to the documents, information and external parties it needed to undertake its work in the three sessions held to date.

75. The Committee looks forward to interacting with the intergovernmental bodies and to fulfilling its role as an advisory body.

(*Signed*) David M. **Walker**
Chairperson, Independent Audit Advisory Committees

Vijayendra N. **Kaul**
Vice-Chairperson, Independent Audit Advisory Committee

Vadim V. **Dubinkin**
Member, Independent Audit Advisory Committee

John F. S. **Muwanga**
Member, Independent Audit Advisory Committee

Adrian P. **Strachan**
Member, Independent Audit Advisory Committee

Annex

Rules of procedure of the Independent Audit Advisory Committee

Adopted on 22 February 2008

I. Background

1. The rules of procedure are adopted by the Independent Audit Advisory Committee, hereinafter referred to as "the Committee". The rules supplement the terms of reference of the Committee and shall always be read together with and construed in a manner consistent with the terms of reference.

II. Appointment and representation

2. In accordance with section II, paragraphs 10, 11 and 13 of the annex to General Assembly resolution 61/275, the members of the Committee shall be nominated by Member States and shall be appointed by the Assembly with due regard being paid to equitable geographic representation. All members of the Committee shall reflect the highest level of integrity and shall serve in their personal capacity, and in performing their duties they shall not seek or receive instructions from any Government. All members of the Committee must have recent and relevant senior-level financial, audit and/or oversight experience.

3. The Committee members, selected in accordance with section II of the terms of reference, shall serve an initial term of three or four years and can be reappointed for a second and final term of three years. The members cannot delegate their duties and cannot be represented by any other person in the sessions of the Committee.

4. The Committee shall elect a Chairperson and one Vice-Chairperson for a one-year renewable term commencing on 1 January of each year. Before the term ends, the members shall elect a Chairperson and Vice-Chairperson for the next term.

5. The chairpersonship shall be automatically declared vacant if the Chairperson no longer holds membership in the Committee. The chairpersonship may be declared vacant if the incumbent is disabled or is otherwise unable to discharge his/her responsibilities for the balance of his/her term.

6. In case of a vacancy in the office of the Chairperson, the Vice-Chairperson shall assume the office of Chairperson until the expiration of his/her predecessor's term of office. Members of the Committee shall appoint an acting Vice-Chairperson from among the other members of the Committee.

7. In the event that the Vice-Chairperson ceases to hold membership in the Committee, the members of the Committee shall appoint another Vice-Chairperson from among the other members of the Committee. The vice-chairpersonship may be declared vacant if the incumbent is disabled or otherwise unable to discharge his/her responsibilities for the balance of the term.

8. Under the authority of the Committee, the Chairperson shall represent the Committee, shall attend hearings to respond to questions on the activities and

findings of the Committee and shall serve as the chief spokesperson of the Committee before the press or other key stakeholders based on input received from the Committee. In the absence of the Chairperson, the Vice-Chairperson shall act on behalf of the Chairperson.

III. Role and responsibilities

9. The Independent Audit Advisory Committee, as a subsidiary body of the General Assembly, serves in an expert advisory capacity and assists the Assembly in fulfilling its oversight responsibilities.

10. The responsibilities of the Committee are to provide independent advice to the General Assembly on the scope, results and effectiveness of audits as well as other oversight functions, especially those of the Office of Internal Oversight Services, on measures to ensure the compliance of management with audit and other oversight recommendations and on various risk management, internal control, operational, accounting and disclosure issues.

IV. Plan of activities

11. The organization of activities of the Committee shall be carried out on the basis of an annual workplan to be adopted at a formal session of the Committee.

12. The plan of activities of the Committee may include any of the following:

(a) Advising the General Assembly on the scope, results and effectiveness of audits as well as other oversight functions;

(b) Advising the Assembly on measures to ensure the compliance of management with audits and other oversight recommendations;

(c) Examining the workplan of the Office of Internal Oversight Services, taking into account the workplans of the other oversight bodies, with the Under-Secretary-General for Internal Oversight Services and advising the Assembly thereon;

(d) Reviewing the budget proposal of the Office of Internal Oversight Services, taking into account its workplan, and making recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions thereon; the formal report of the Independent Audit Advisory Committee should be made available to the Assembly and to the Advisory Committee on Administrative and Budgetary Questions prior to their consideration of the budget;

(e) Advising the Assembly on the effectiveness, efficiency and impact of audit activities and other oversight functions of the Office of Internal Oversight Services;

(f) Advising the Assembly on the quality and overall effectiveness of risk management procedures;

(g) Advising the Assembly on deficiencies in the internal control framework of the United Nations;

(h) Advising the Assembly on the operational implications for the United Nations of the issues and trends apparent in the financial statements of the Organization and the reports of the Board of Auditors;

(i) Advising the Assembly on the appropriateness of accounting policies and disclosure practices and assessing changes and risks in those policies;

(j) Advising the Assembly on steps to increase and facilitate cooperation among United Nations oversight bodies;

(k) Advising on any other items requested by the General Assembly.

V. Sessions

13. The Committee shall convene up to four times a year, in coordination with the relevant activities of the United Nations and the General Assembly and in accordance with Assembly resolutions on the pattern of conferences.

14. The Committee may convene at such times and in such locations as may be necessary for the performance of its duties at the call of the Chairperson or at the request of any member of the Committee and as agreed to by the full Committee. Sessions of the Committee shall generally be held at least quarterly, with due adherence to the maximum number of sessions each year as provided for in paragraph 4 of the terms of reference. The dates for sessions of the Committee are to be established by the Chairperson in consultation with the members.

15. The members of the Committee shall normally receive the provisional agenda and accompanying documents for the session in question at least 21 calendar days before the session is held.

16. The Committee shall normally hold closed sessions. The Committee may invite to its sessions individuals or parties it deems appropriate, including representatives of the United Nation Secretariat and representatives of the Board of Auditors, the Joint Inspection Unit and the Office of Internal Oversight Services.

17. Any three members of the Committee shall constitute a quorum.

18. The Executive Secretary shall prepare the draft report of the sessions of the Committee and shall submit it for the review and approval of all Committee members.

VI. Information and decisions

19. The Executive Secretary shall bring to the attention of the members of the Committee any information, communications or reports relevant to the Committee's responsibilities.

20. The Committee shall make every effort to arrive at its recommendations and advice by consensus. However, in the event that one of the members does not agree, then such member shall have the right to briefly state his/her view in any related publication of the Committee. However, such a minority view is not binding on the Committee. A member unable to attend a session of the Committee may make

his/her views on the matters to the Chairperson or Vice-Chairperson to be considered in writing, or by way of telephone or videoconference.

VII. Duties of the officers

21. The Chairperson shall:

(a) Convene the sessions in accordance with article V of these rules;

(b) Present the provisional agenda for the session;

(c) Conduct the meetings of the session;

(d) Issue such correspondence on behalf of the Committee as may be required;

(e) Represent the Committee before such bodies, committees and the like as may be required;

(f) Submit an annual report to the General Assembly on behalf of the Committee;

(g) Serve as the chief spokesperson of the Committee.

22. The Vice-Chairperson shall:

(a) Conduct the meetings during periods of absence of the Chairperson;

(b) Represent the Committee before such bodies, committees and the like as the Chairperson may request;

(c) Assume the functions of the Chairperson in the event the Chairperson ceases to be a member of the Committee.

VIII. Agenda

23. The Chairperson shall direct the preparation of the provisional agenda for each session after consulting with the other members of the Committee.

24. Notwithstanding the general requirement that members receive at least 21 calendar days' notice of the provisional agenda for each session, additional items shall be included on the provisional agenda of a session of the Committee if a member requests the Chairperson to do so at least five days before the date set for the session.

25. An item may be deleted from or added to the provisional agenda of a meeting during the meeting with the unanimous approval of the members.

26. At the beginning of each session, the Committee shall adopt the agenda for its session, which shall include approval of the minutes of the prior session.

IX. Secretary of the Committee

27. The full-time Executive-Secretary of the Committee, provided by the Department of Management in the United Nations Secretariat shall:

(a) Maintain the minutes and other official records of the Committee, which shall remain in his/her office at United Nations Headquarters;

(b) Assist the Chairperson in the preparation of the agenda, other correspondence and technical papers for discussion during the session;

(c) Conduct research and in-depth analysis of the key issues most relevant to the work of the Committee;

(d) Write reports and present information based on the research and analysis conducted;

(e) Prepare the drafts of the minutes of the session and circulate them to all members for approval at the next meeting of the Committee;

(f) Distribute the final minutes of the session;

(g) Keep the Committee informed of developments in the United Nations, which may include such items as policy decisions, decisions of intergovernmental bodies, discussions by expert bodies and the like that relate to the work of the Committee;

(h) Promptly provide members with any information or documents needed to allow them to make complete and accurate reports on the Committee's work to the General Assembly;

(i) Prepare briefing notes for the Chairperson of the Committee;

(j) Draft the Committee's annual report to the General Assembly containing the advice of the Committee to the Assembly and describing its work in discharging its responsibilities, and submit the draft report for review and approval of all Committee members;

(k) Maintain liaison with management, with key personnel of entities that audit the United Nations Secretariat and with the secretariats of the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee of the General Assembly, the Joint Inspection Unit and the Committee for Programme and Coordination;

(l) Take the steps necessary to ensure that the physical arrangements such as conference rooms, interpretation services and the like are available;

(m) Ensure the effective management of the Committee Secretariat office including maintaining a reference library of documentation on audit/oversight-related administrative and budgetary matters;

(n) Ensure that the Secretariat makes timely travel arrangements for the travel of Committee members and for timely reimbursements relating thereto;

(o) Perform such other duties and responsibilities as may be assigned by the Chairperson in consultation with other members of the Committee.

X. Official correspondence of the Committee

28. Each member will promptly circulate among members of the Committee any communications related to the functions of the Committee that he/she either receives or originates.

29. If a decision of the Committee is required between sessions and in the opinion of the Chairperson a special session is not required but the consent of the members is needed, the Chairperson may solicit the views of the members by direct communication and give effect to the opinion as a Committee decision.

30. The Committee shall determine the manner and form of its formal communications to the General Assembly, the Secretary-General and other parties. Such communications shall be subject to the requirements prescribed by the terms of reference and in accordance with the General Assembly rules and guidelines on documentation. To the extent possible and appropriate, the Committee shall take responsible and practical steps to informally communicate its findings and conclusions to any directly affected parties prior to the publication of any formal communication of the Committee.

XI. Disclosure

31. The Committee secretariat, observers and any third party invited by the Committee to attend its sessions shall not make any document or information public without the Committee's prior authorization.

32. Any Committee member reporting on the Committee's work shall ensure that confidential materials are secured and shall keep other members adequately informed.

XII. Miscellaneous

33. The Committee may amend these rules of procedure, consistent with the terms of reference.